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## **Xinyuan Property Management Service (Cayman) Ltd.**

**鑫苑物業服務集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1895)**

### **CONTINUING CONNECTED TRANSACTIONS – (1) THE COMMERCIAL ASSETS ENTRUSTED OPERATION FRAMEWORK AGREEMENT AND (2) THE ASSETS SALES AGENCY AND OPERATION SERVICES FRAMEWORK AGREEMENT**

#### **THE CONTINUING CONNECTED TRANSACTIONS**

On 21 June 2024, the Company and Xinyuan Real Estate entered into the Commercial Assets Entrusted Operation Framework Agreement, pursuant to which the Group will be entrusted by Xinyuan Real Estate Group to provide operation services in respect of the Commercial Assets, for a fixed term expiring on 31 December 2026 (both dates inclusive).

On 21 June 2024, the Company and Xinyuan Real Estate entered into the Assets Sales Agency and Operation Services Framework Agreement, pursuant to which the Group will provide the Assets Sales Agency and Operation Services to Xinyuan Real Estate Group, for a fixed term expiring on 31 December 2026 (both dates inclusive).

#### **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Xinyuan Real Estate is the controlling shareholder of the Company indirectly holding 52.86% of the issued share capital of the Company and is therefore a connected person of the Company. As a result, the Agreements and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since the highest applicable percentage ratio (as defined in the Listing Rules) exceeds 5%, the Commercial Assets Entrusted Operation Framework Agreement and the transactions contemplated thereunder are subject to the annual reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Since the highest applicable percentage ratio (as defined in the Listing Rules) exceeds 5%, the Assets Sales Agency and Operation Services Framework Agreement and the transactions contemplated thereunder are subject to the annual reporting, announcement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **GENERAL**

The Company will convene the EGM for the Independent Shareholders to consider and, if thought fit, approve the Agreements and the transactions respectively contemplated thereunder.

A circular containing, among other things, (i) further details of the Agreements and the transactions respectively contemplated thereunder; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the EGM, is expected to be despatched to the Shareholders on or before 20 July 2024, as more time is needed to prepare the information to be included in the circular.

## THE CONTINUING CONNECTED TRANSACTIONS

### 1. The Commercial Assets Entrusted Operation Framework Agreement

On 21 June 2024, the Company and Xinyuan Real Estate entered into the Commercial Assets Entrusted Operation Framework Agreement, the principal terms of which are set out below.

#### *Subject matter*

Pursuant to the Commercial Assets Entrusted Operation Framework Agreement, the Group will be entrusted by Xinyuan Real Estate Group to provide operation services in respect of the Commercial Assets including development and operation planning and management, solicitation agency, leasing, advertising and promotion, property services and parking space management. The Group and Xinyuan Real Estate Group will enter into individual agreements setting out specific terms of each individual entrusted operation agreement in respect of the Commercial Assets.

#### *Term*

The term commences from the date of approval at the EGM until 31 December 2026 (both dates inclusive).

#### *Pricing*

The Group will collect all rental income derived from the Commercial Assets and pay the collected rent to Xinyuan Real Estate Group regularly in accordance with the rental allocation percentage and period as agreed in the relevant individual entrusted operation agreement. The rent allocation ratio ranges from 40% to 90% of the total rent collected, which is determined after arm's length negotiations taking into account the scope of services, estimated operating costs (including labor costs, administrative costs, construction material costs, utilities, marketing and promotion costs, solicitation commission and taxes), and with reference to the rent allocation practice of similar services and similar types of projects in the market.

As a general principle, the rent allocation and other terms of the individual entrusted operation agreement in respect of the Commercial Assets shall be on normal commercial terms, negotiated on an arm's length basis, or on a similar basis as the Group transacts business with other independent third parties, and shall be on terms which are no less favourable to the Group than those provided to independent third parties. The terms of the individual entrusted operation agreement will be consistent with the principles and the terms of the Commercial Assets Entrusted Operation Framework Agreement. If there is any conflict between the terms of an individual entrusted operation agreement and the Commercial Assets Entrusted Operation Framework Agreement, the latter shall prevail.

The Group will pay the expenses associated with the Commercial Assets, including but not limited to expenses for the overhaul, repair, renewal, renovation and reconstruction in respect of the Commercial Assets, energy consumption expenses and insurance expenses, for and on behalf of Xinyuan Estate Group. Such expenses paid by the Group, which shall not exceed 30% of the rent payable for the relevant period, will be deducted from the rent payable by the Group to Xinyuan Real Estate Group.

***Condition precedent***

The Commercial Assets Entrusted Operation Framework Agreement is subject to the Independent Shareholders having approved the Commercial Assets Entrusted Operation Framework Agreement and the transactions contemplated thereunder at the EGM.

***Historical transaction amounts***

The historical transaction amounts of the rent allocated to Xinyuan Real Estate Group in respect of the Commercial Assets for the three years ended 31 December 2023 are as follows:

<b>For the year ended 31 December</b>		
<b>2021</b>	<b>2022</b>	<b>2023</b>
RMB21,868,209	RMB30,713,417	RMB26,544,435

***Proposed annual caps***

The proposed annual caps for the rent to be allocated by the Group to Xinyuan Real Estate Group under the Commercial Assets Entrusted Operation Framework Agreement for each of the three years ending 31 December 2026 are as follows:

<b>For the year ending 31 December</b>		
<b>2024</b>	<b>2025</b>	<b>2026</b>
RMB40,000,000	RMB46,000,000	RMB52,000,000

The above proposed annual caps were determined based on arms' length negotiations between the parties taking into account the following:

- (i) the historical amount of rent derived from the Commercial Assets for each of the three years ended 31 December 2023;

- (ii) the rental income expected to be allocated by the Group to Xinyuan Real Estate Group under the Commercial Assets Entrusted Operation Framework Agreement, taking into account the prevailing market conditions, the project's circumstances, the scope of services to be provided by the Group, the estimated operating costs (including labor costs, administrative costs, basic repair and maintenance costs, service provision costs, utilities, promotion costs, solicitation commissions and tax), and with reference to the rent-sharing ratios for similar services and similar projects in the market; and
- (iii) the expectation that the area of Commercial Assets owned by Xinyuan Real Estate Group will continue to increase and the demand for the Group's management services for the Commercial Assets will increase significantly in the next three years.

Considering the factors set out above, the Directors (excluding the independent non-executive Directors who will express their views after considering the advice from the Independent Financial Adviser) are of the view that the proposed annual caps of the Commercial Assets Entrusted Operation Framework Agreement are fair and reasonable.

***Reasons for and benefits of entering into the Commercial Assets Entrusted Operation Framework Agreement***

As one of the comprehensive property management services providers in the PRC, the Group offers a wide range of services covering pre-delivery and post-delivery phases to property developers, property owners and property occupants for their enjoyment of community life, which can be categorised in four main business lines, namely, (i) property management services; (ii) value-added services; (iii) pre-delivery and consulting services; and (iv) commercial operation services.

The Commercial Assets Entrusted Operation Framework Agreement will enable the Group to earn rental income from providing entrusted operation services in respect of the Commercial Assets, which will contribute to the Group's business development and enhance its business growth.

The Directors (excluding the independent non-executive Directors who will express their views after considering the advice from the Independent Financial Adviser) are of the view that the Commercial Assets Entrusted Operation Framework Agreement was entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## 2. **The Assets Sales Agency and Operation Services Framework Agreement**

On 21 June 2024, the Company and Xinyuan Real Estate entered into the Assets Sales Agency and Operation Services Framework Agreement, the principal terms of which are set out below.

### *Subject matter*

Pursuant to the Assets Sales Agency and Operation Services Framework Agreement, the Group agreed to provide Xinyuan Real Estate Group with (i) sales agency services in respect of assets such as clubhouses, parking spaces and basements owned by Xinyuan Real Estate Group and/or its associates; and (ii) operation services in respect of assets such as clubhouses, parking spaces and basements to which Xinyuan Real Estate Group and/or its associates have the right to income (collectively, the “**Assets Sales Agency and Operation Services**”).

The Group and Xinyuan Real Estate Group will enter into individual agreements setting out specific terms of each transaction under the Assets Sales Agency and Operation Services Framework Agreement.

### *Term*

The term commences from the date of approval at the EGM until 31 December 2026 (both dates inclusive).

### *Pricing*

The Group may provide the Assets Sales Agency and Operation Services in accordance with Xinyuan Real Estate Group’s relevant minimum price standards or market prices, and collect all the income generated. The Group shall pay the collected income to Xinyuan Real Estate Group on a regular basis in accordance with the income allocation method and period as agreed in the relevant individual agreement. The income allocation ratio ranges from 40% to 90% of the total income collected, which is determined after arm’s length negotiations taking into account the scope of services, estimated operating costs (including labor costs, administrative costs, construction material costs, energy consumption, marketing and promotion costs and other costs such as taxes), and with reference to the income allocation practice of similar services and similar types of projects in the market.

As a general principle, the fees and terms of the individual agreements shall be on normal commercial terms, negotiated on an arm's length basis, or on a similar basis as the Group transacts business with other independent third parties, and shall be on terms which are no less favourable to the Group than those provided to independent third parties. The terms of the individual agreements will be consistent with the principles and the terms of the Assets Sales Agency and Operation Services Framework Agreement. If there is any conflict between the terms of an individual agreement and the Assets Sales Agency and Operation Services Framework Agreement, the latter shall prevail.

***Condition precedent***

The Assets Sales Agency and Operation Services Framework Agreement is subject to the Independent Shareholders having approved the Assets Sales Agency and Operation Services Framework Agreement and the transactions contemplated thereunder at the EGM.

***Historical transaction amounts***

The historical transaction amounts of income allocated to Xinyuan Real Estate Group for the Assets Sales Agency and Operation Services for the three years ended 31 December 2023 are as follows:

	<b>For the year ended 31 December</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	RMB2,050,000	RMB1,310,000	RMB340,000

***Proposed annual caps***

The proposed annual caps for the income to be allocated to Xinyuan Real Estate Group by the Group under the Assets Sales Agency and Operation Services Framework Agreement for each of the three years ending 31 December 2026 are as follows:

	<b>For the year ending 31 December</b>		
	<b>2024</b>	<b>2025</b>	<b>2026</b>
	RMB16,500,000	RMB21,000,000	RMB26,000,000

The above proposed annual caps were determined based on arms' length negotiations between the parties taking into account the following:

- (i) the current status of the assets of Xinyuan Real Estate Group in the area managed by the Group, as well as the market sales situation, combined with the asset operation and sales situation of the Group in the past three years; and
- (ii) the expected continuous increase in the area delivered by Xinyuan Real Estate Group in the next three years, the preliminary assessment of the market environment and the continuous improvement of the Group's ability to sell assets managed by it in terms of turnover rate and price.

Considering the factors set out above, the Directors (excluding the independent non-executive Directors who will express their views after considering the advice from the Independent Financial Adviser) are of the view that the proposed annual caps of the Assets Sales Agency and Operation Services Framework Agreement are fair and reasonable.

***Reasons for and benefits of entering into the Assets Sales Agency and Operation Services Framework Agreement***

The entering into of the Assets Sales Agency and Operation Services Framework Agreement will enable the Group to provide the Assets Sales Agency and Operation Services to Xinyuan Real Estate Group for generating stable income stream to the Group, which could further promote the business growth of the Group.

The Directors (excluding the independent non-executive Directors who will express their views after considering the advice from the Independent Financial Adviser) are of the view that the Assets Sales Agency and Operation Services Framework Agreement was entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

**INTERNAL CONTROL**

To ensure the continuing connected transactions will be conducted in accordance with the terms of the Agreements, the Group has adopted the following internal control measures:

- (i) the finance department of the Group will closely monitor each payment made or received under the Agreements, and timely report monitoring data to the compliance department designated by the Company. The compliance department will continue to summarise and monitor the total transaction amount under the Agreements to ensure that the annual caps will not be exceeded;



- (ii) each payment made under the Agreements must be approved by the business department, the finance management department, the legal department and the management to ensure that it is in accordance with the terms of the Agreements;
- (iii) the auditors of the Company shall conduct annual reviews on the payments made and the annual caps to ensure that the total transaction amounts are within the annual caps and that the transactions are conducted in accordance with the terms of the respective Agreement; and
- (iv) the Directors (including the independent non-executive Directors) will continue to review the quarterly monitoring reports on the transactions conducted under the Agreements issued by the management to ensure that the transactions are entered into in the ordinary and usual course of business of the Company and on normal commercial terms, and the terms of which are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Xinyuan Real Estate is the controlling shareholder of the Company indirectly holding 52.86% of the issued share capital of the Company and is therefore a connected person of the Company. As a result, the Agreements and the transactions contemplated thereunder constitute continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

Since the highest applicable percentage ratio (as defined in the Listing Rules) exceeds 5%, the Commercial Assets Entrusted Operation Framework Agreement and the transactions contemplated thereunder are subject to the annual reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Since the highest applicable percentage ratio (as defined in the Listing Rules) exceeds 5%, the Assets Sales Agency and Operation Services Framework Agreement and the transactions contemplated thereunder are subject to the annual reporting, announcement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Since Mr. LI Yifan, an independent non-executive Director, is also an independent non-executive director of 鑫苑(中國)置業有限公司 (Xinyuan (China) Real Estate Co., Ltd\*) (a wholly-owned subsidiary of Xinyuan Real Estate), he had abstained from voting on the Board resolutions approving the Agreements. Save as disclosed above, none of the Directors had a material interest in the Agreements and the transactions respectively contemplated thereunder and no Director was required under the Listing Rules to abstain from voting on the relevant Board resolutions.

## **INFORMATION ON XINYUAN REAL ESTATE**

Xinyuan Real Estate is a company incorporated with limited liability in the Cayman Islands and the shares of which are listed on the New York Stock Exchange (stock code: XIN). It is principally engaged in real estate development and currently operates in 17 cities over the PRC. Xinyuan Real Estate Group focuses on developing large scale quality residential projects with the aim of providing middle-class consumers with a comfortable and convenient community life. In addition to the residential projects, Xinyuan Real Estate Group has also developed several shopping malls in the PRC. In addition to the PRC market, Xinyuan Real Estate Group also keeps exploring opportunities globally to expand its operation to overseas markets (including several cities in the United States, the United Kingdom and Malaysia).

## **GENERAL**

The Company will convene the EGM for the Independent Shareholders to consider and, if thought fit, approve the Agreements and the transactions respectively contemplated thereunder.

As at the date of this announcement, (i) Xinyuan Real Estate's wholly-owned subsidiary, Xinyuan Real Estate, Ltd., directly and beneficially held 300,000,000 Shares, representing approximately 52.86% of the total number of issued Shares; (ii) Victory Destiny Holdings Limited (a company wholly owned by Mr. Zhang Yong, a shareholder, a director and the chairman of Xinyuan Real Estate) directly and beneficially held 15,000,000 Shares, representing approximately 2.64% of the total number of issued Shares; and (iii) Grace Hope Holdings Limited (a company wholly owned by Ms. Yang Yuyan, a shareholder and a director of Xinyuan Real Estate) directly and beneficially held 15,000,000 Shares, representing approximately 2.64% of the total number of issued Shares. The aforesaid persons will be required to abstain from voting in respect of the resolutions approving the Agreements and the transactions respectively contemplated thereunder at the EGM. Save as disclosed above, as at the date of this announcement, to the best knowledge, information and belief of the Directors and having made all reasonable enquiries, no other Shareholder had any material interest in the Agreements and the transactions respectively contemplated thereunder, and no other Shareholder was required to abstain from voting in respect of the resolutions approving the Agreements and the transactions respectively contemplated thereunder at the EGM.

A circular containing, among other things, (i) further details of the Agreements and the transactions respectively contemplated thereunder; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the EGM, is expected to be despatched to the Shareholders on or before 20 July 2024, as more time is needed to prepare the information to be included in the circular.

The Independent Board Committee has been established to advise the Independent Shareholders in relation to the Agreements and the transactions respectively contemplated thereunder. Rainbow Capital (HK) Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

## DEFINITIONS

In this announcement, the following expressions shall, unless the context requires otherwise, have the following meanings:

“Agreements”	collectively, the Commercial Assets Entrusted Operation Framework Agreement and the Assets Sales Agency and Operation Services Framework Agreement
“Assets Sales Agency and Operation Services”	has the meaning ascribed to it under the section headed “The Continuing Connected Transactions – 2. The Assets Sales Agency and Operation Services Framework Agreement” in this announcement
“Assets Sales Agency and Operation Services Framework Agreement”	the framework agreement dated 21 June 2024 entered into between the Company and Xinyuan Real Estate in relation to the provision of the Assets Sales Agency and Operation Services by the Group to Xinyuan Real Estate Group
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Commercial Assets”	commercial assets of Xinyuan Real Estate Group located in the PRC, comprising shopping malls and commercial office buildings
“Commercial Assets Entrusted Operation Framework Agreement”	the framework agreement dated 21 June 2024 entered into between the Company and Xinyuan Real Estate in relation to the provision of entrusted operation services in respect of the Commercial Assets by the Group to Xinyuan Real Estate Group
“Company”	Xinyuan Property Management Service (Cayman) Ltd. (鑫苑物業服務集團有限公司), a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1895)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the Independent Shareholders to consider and, if thought fit, to approve the Agreements and the transactions respectively contemplated thereunder
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Board comprising all the independent non-executive Directors except Mr. LI Yifan
“Independent Financial Adviser”	Rainbow Capital (HK) Limited, a licensed corporation permitted to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), and the independent financial adviser to the Independent Board Committee and Independent Shareholders in respect of the Agreements and the transactions respectively contemplated thereunder
“Independent Shareholder(s)”	the Shareholders other than Xinyuan Real Estate, Mr. Zhang Yong, Ms. Yang Yuyan and their respective associates
“independent third party”	person(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, is/are not connected with the Company or any of its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.00001 each in the share capital of the Company

“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Xinyuan Real Estate”	Xinyuan Real Estate Co., Ltd. (鑫苑地產控股有限公司), a company incorporated with limited liability in the Cayman Islands on 26 March 2007, the shares of which are listed on the New York Stock Exchange (Stock Code: XIN), and a controlling shareholder of the Company
“Xinyuan Real Estate Group”	Xinyuan Real Estate and its subsidiaries (excluding the Group)
“%”	per cent.

By order of the Board  
**Xinyuan Property Management Service (Cayman) Ltd.**  
**SHEN Yuan-Ching**  
*Chairman, Executive Director and Chief Executive Officer*

Hong Kong, 21 June 2024

*As at the date of this announcement, the Board comprises Mr. SHEN Yuan-Ching, Mr. FENG Bo and Mr. WANG Yong as executive directors; Mr. TIAN Wenzhi as non-executive director; and Mr. LI Yifan, Mr. LAN Ye, Mr. LING Chenkai and Ms. ZHAO Xia as independent non-executive directors.*

\* *For identification purpose only*